



*Telefonica*

Deutschland

# Preliminary Results January – December 2013

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# Telefónica Deutschland management team



**Markus Haas**  
**CSO**



**Rachel Empey**  
**CFO**

**Joint leadership of the Management Board of  
Telefónica Deutschland Holding AG**

# Main Strategic Highlights

Significant value creation opportunities to be captured in 2014

- **Consistent execution of our strategy in 2013**, strengthening our ability to monetise mobile data growth
- Telefónica Deutschland aims to become the **best value-for-money LTE player in 2014**
- **E-Plus transaction approval** proceeding



# Solid execution on our 2013 strategic pillars

Strengthening our ability to monetise mobile data

## Multi-brand portfolio



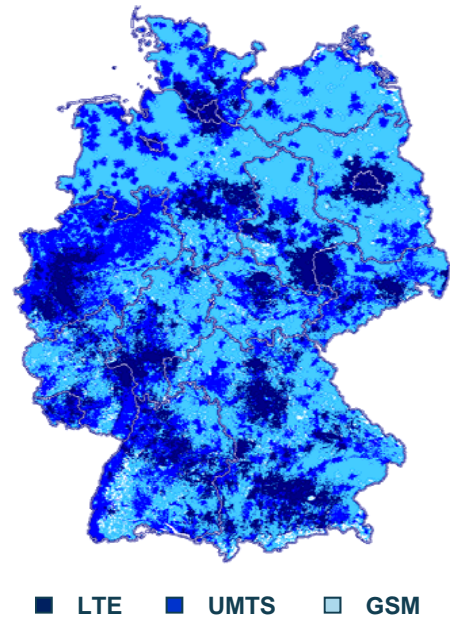
**~70%**  
 Smartphone penetration<sup>1)</sup>

## Data Monetisation



**+22%**  
 Data revenue growth<sup>2)</sup>

## Enhanced Network



**>40%**  
 LTE Population coverage

<sup>1)</sup> Based on O<sub>2</sub> Consumer Postpaid segment    <sup>2)</sup> FY 2013-2012 y-o-y, excluding SMS

# Continuation of our Strategy in 2014

Investing in profitable business opportunities around LTE

- ✓ Capitalise on **multi-brand portfolio & high level of customer satisfaction**
- ✓ **Monetise mobile data & fixed broadband convergence** opportunities across all segments
- ✓ Differentiate **O<sub>2</sub> as the best Value-for-Money LTE brand** in the German market
- ✓ Seize opportunities in the **Business Segment and for Digital Services**



**The right assets in place to play a leading role in the mobile data-centric German market**

# Acquisition of E-Plus proceeding

Necessary authorisations from our shareholders already secured



## Telefónica Deutschland Customers

**Top Quality Products & Services and excellent Customer Service**

- **A leading Digital Telco**
- High **speed connectivity** on enhanced platforms
- Strong **multi-brand portfolio** across segments
- **Outstanding customer service**

## Telefónica Deutschland Shareholders

**NPV of synergies of more than 5 bn Euro**

- **Improved profitability** on strong scale benefits
- **Enhanced Free Cash Flow** generation
- Increased **financial flexibility**
- Ability to maintain an **attractive shareholder remuneration**



# Main 2013 Operating & Financial Highlights

Focused execution while strengthening our financial position

- **Continued innovation** in a very dynamic competitive environment
- Consistent **profitable investment approach** driving transformation of the business
- **Free Cash Flow y-o-y growth**, supporting dividend proposal for 2013

# Continued Innovation in the German Market

Multifaceted, very dynamic competitive environment

## Competitive Environment

- Mobile tariff portfolios and **market structure broadly unchanged** during the year
- Strong **investment in commercial channels** to maximize trading
- Customer segment and regional specific **targeted promotions, specially on devices**
- **Network quality** and **LTE availability** increasingly relevant for customers
- Continuous impact on SMS-usage from **change in customer communication behaviour**

## Latest Commercial Highlights

- Alignment of fixed and mobile portfolios – **Differentiate on Speed**

O<sub>2</sub> Blue All-in



O<sub>2</sub> DSL All-in



- Christmas bundle “Hol alles raus”:  
– **One-year LTE included**



- O<sub>2</sub> facebook shop:  
– **Exploiting social network interactions**



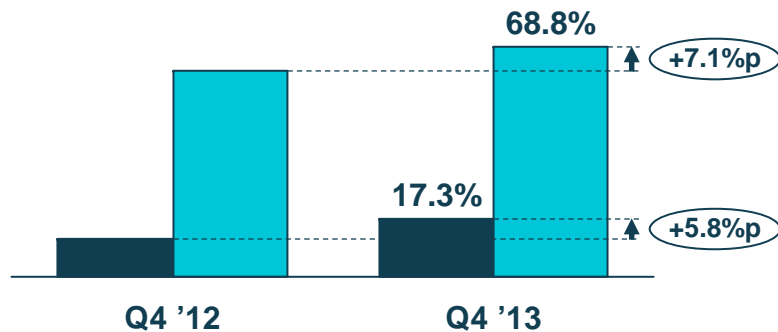
# Trading activity to increase value of the base

Monetising data through increased demand for volume & speed

## Smartphone penetration

in % of O<sub>2</sub> Consumer Customer Base

Prepaid Postpaid



## All-in portfolio mix adoption

Value split of O<sub>2</sub> Blue All-in Gross Adds <sup>1)</sup> in k

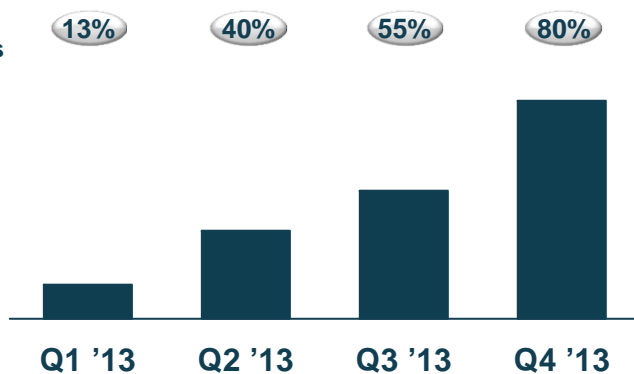


<sup>1)</sup> O<sub>2</sub> Consumer Postpaid Q4 '13

## LTE handsets adoption

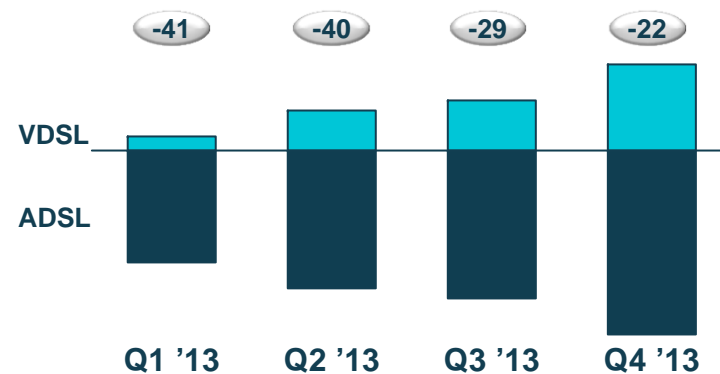
Shipment of LTE enabled smartphone in k

In % of total smartphones



## Fixed BB progression

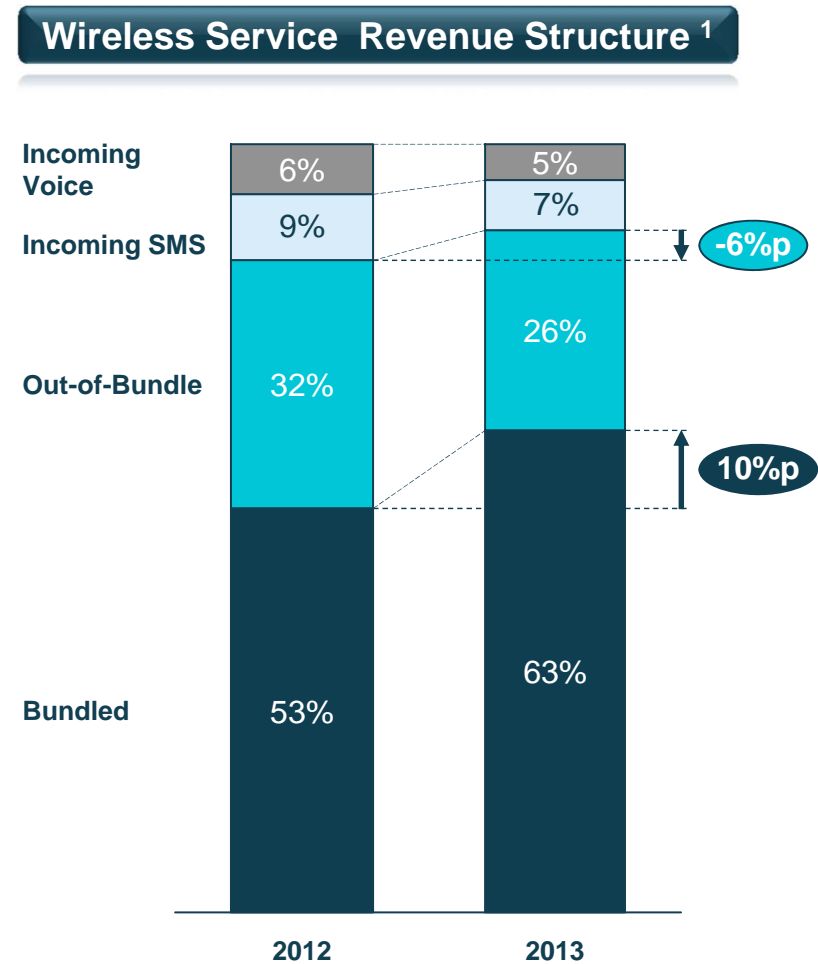
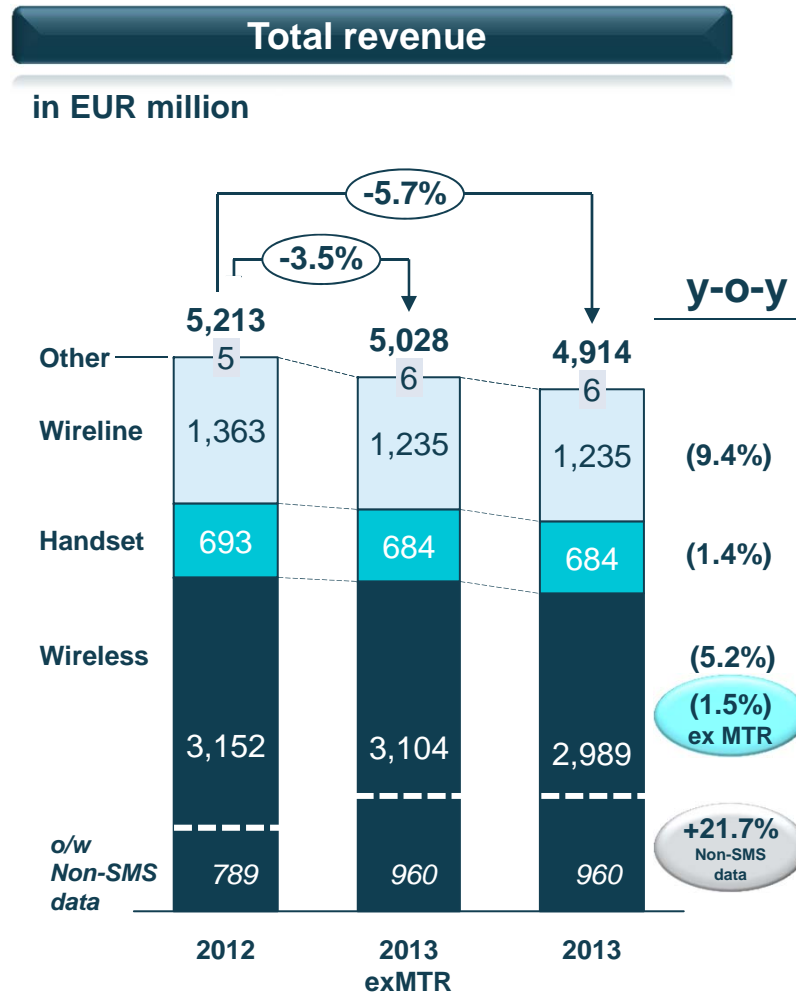
Retail Fixed BB Net Adds in k





# Revenue performance in 2013

Bundled non-SMS mobile data continued to show strong growth



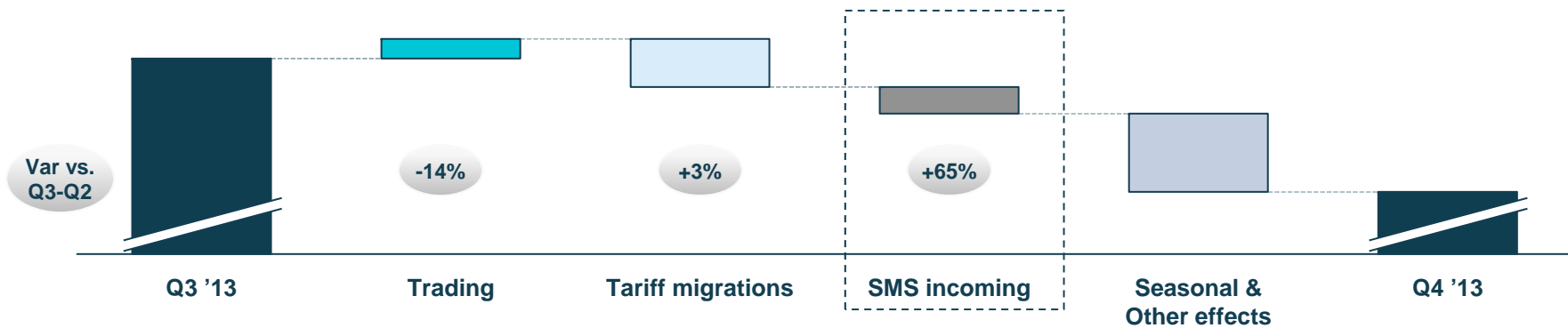
<sup>1</sup> In % of O<sub>2</sub> corebrand postpaid WSR

# O<sub>2</sub> postpaid consumer trends

Acceleration of SMS substitution towards the end of year

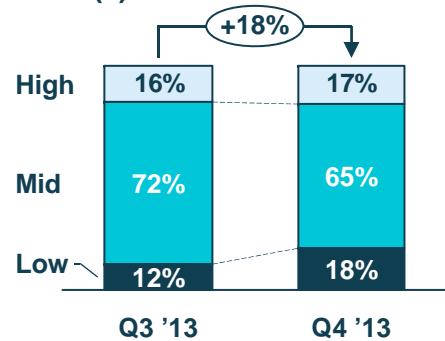
## Main drivers for wireless service revenues

Q-o-Q absolute performance ex MTRs

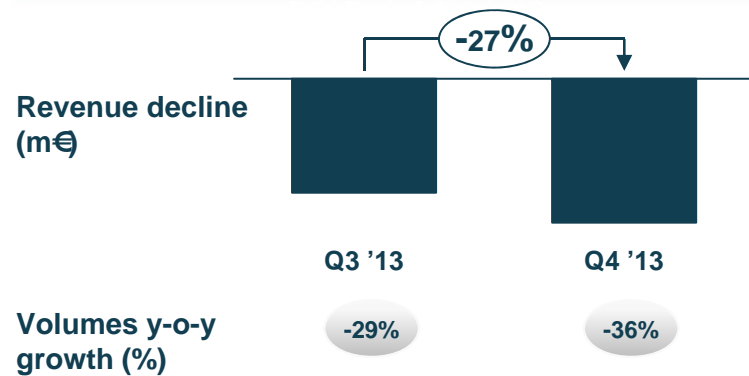


## Base Management

Tariff Renewals (#)

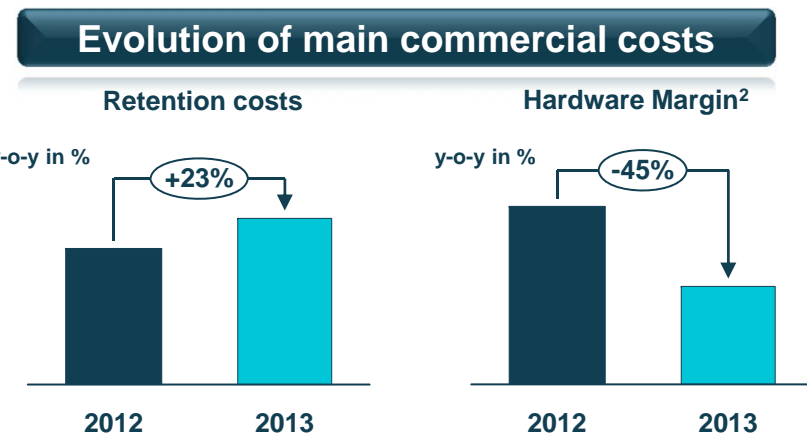
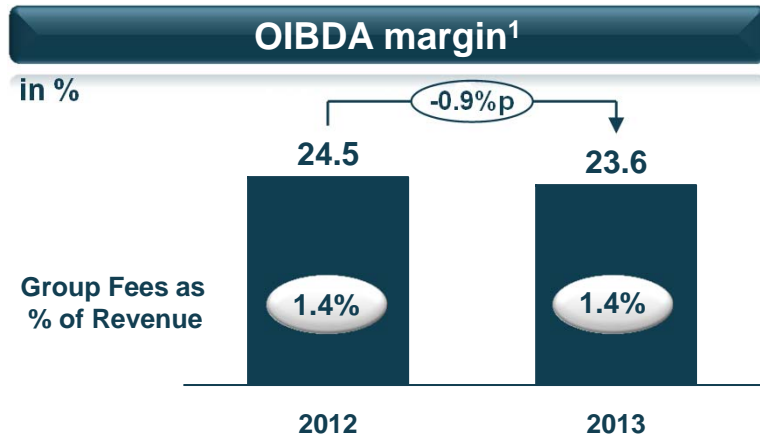


## SMS incoming

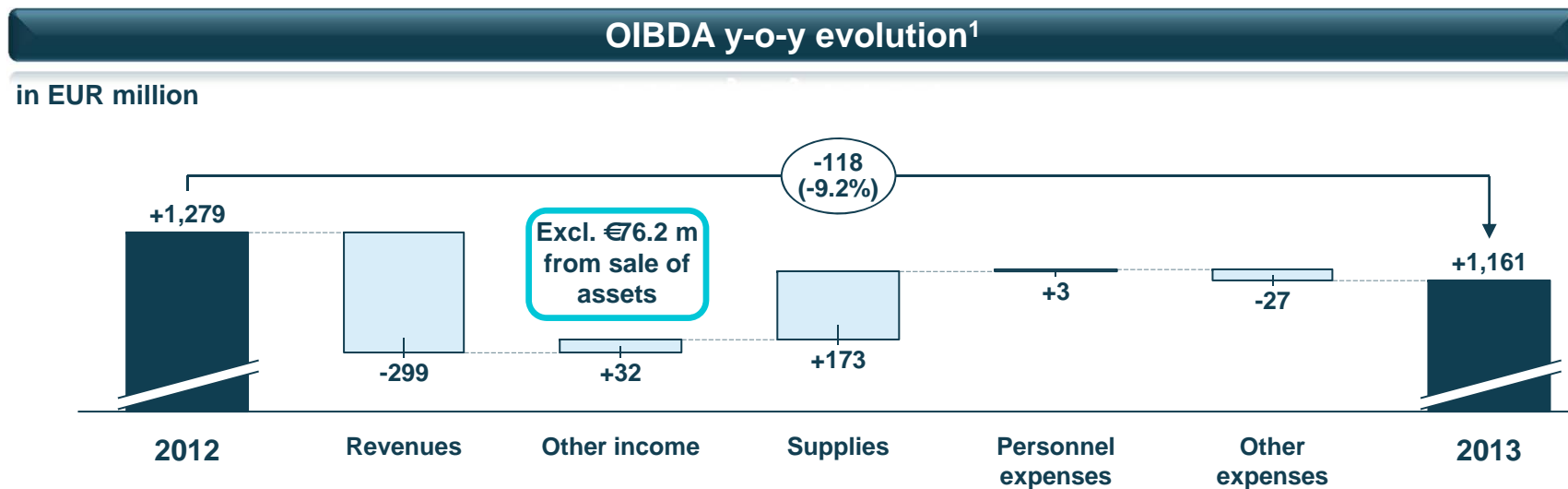


# Good relative OIBDA performance in 2013

Focused investments in commercial activities in H2 2013



<sup>2</sup> Handset revenues less cost of sales



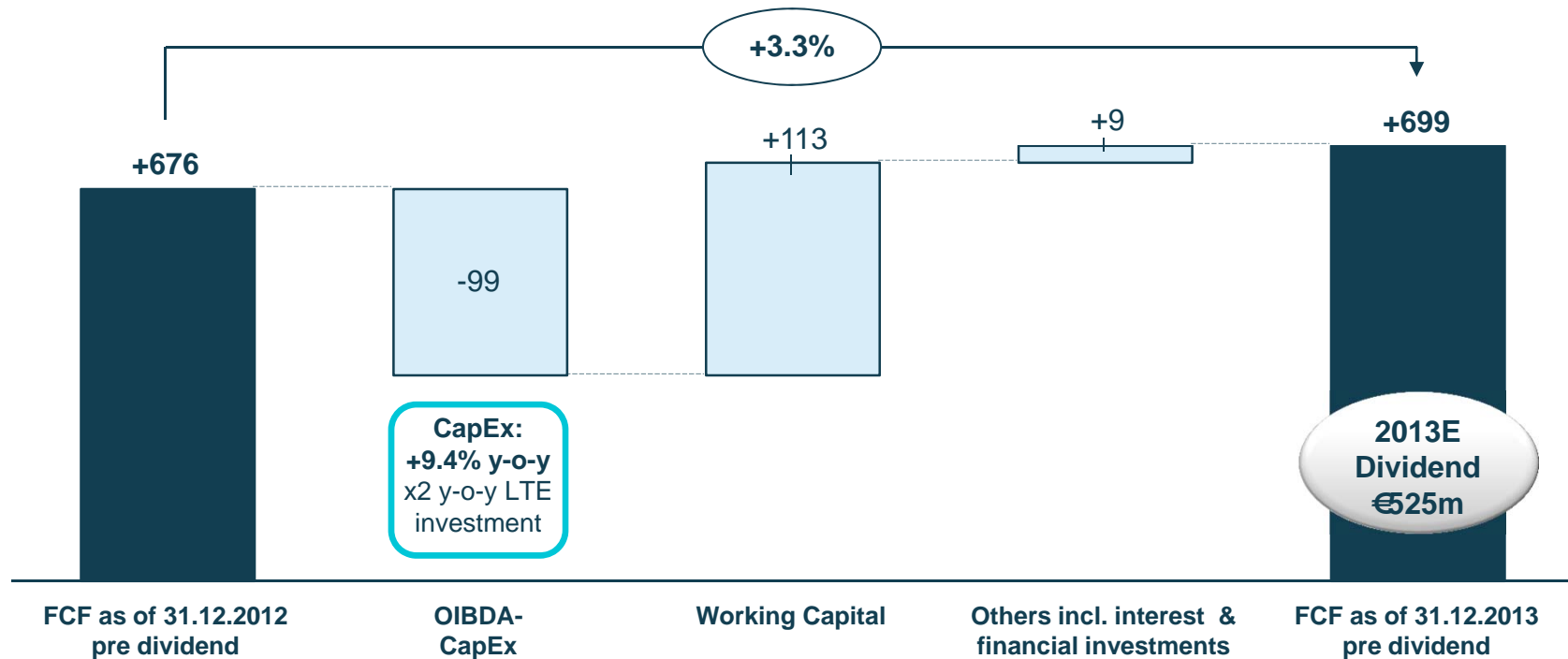


# Solid Free Cash Flow growth in 2013

Positive impact from Working Capital management

## Free Cash Flow<sup>1</sup> y-o-y evolution

YTD in €m

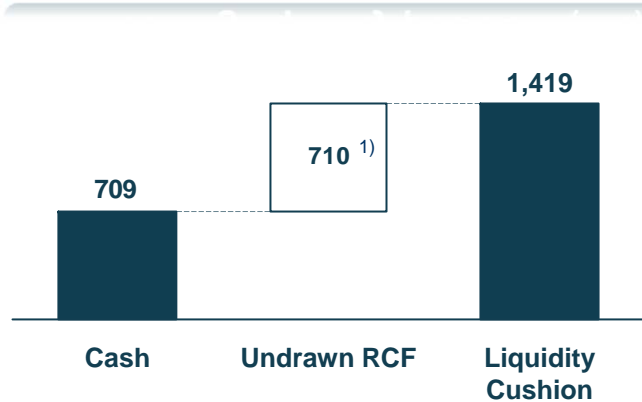


1) Free cash flow pre dividends from continuing operations is defined as the sum of cash flow from operating activities from continuing operations and cash flow from investing activities from continuing operations.

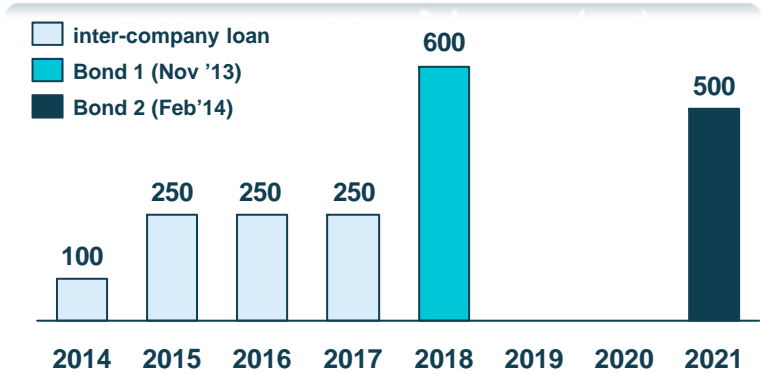
# Solid Financial Profile

Proven by successful debut transaction in the debt capital market

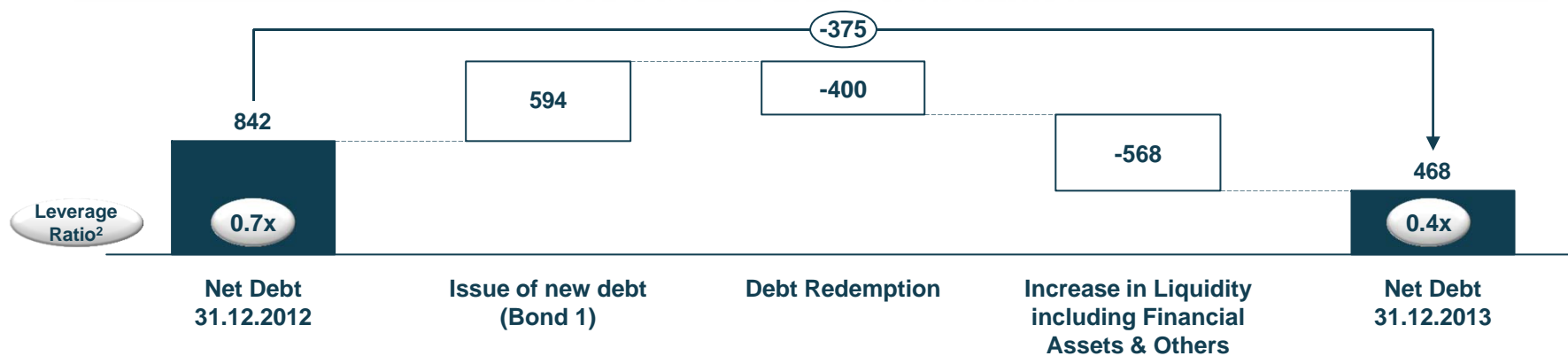
## Strong liquidity position (m€)



## Extended maturity profile (m€)



## Net Debt<sup>2</sup> y-o-y evolution (m€)



1) Expiry of undrawn credit lines: €100m in Q3 2015, €250m in Q2 2016, €250m in Q3 2016 and €110m in Q3 2017

2) For definition of Net Debt and Leverage Ratio please refer to additional materials of Q4 preliminary results

# Recent trends and near-term Outlook

Strong demand for high-speed data in a very dynamic environment

- Very **active competitive environment**, LTE becoming increasingly relevant for customers
- Strategic focus on mobile; we **expect a continuation of trends for main financial metrics** in the near term
- Proposal of **approx. 525 million Euro cash dividend for 2013** reiterated, leveraging strong FCF generation



# Q&A

## Telefónica Deutschland FY 2013 results conference call



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